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July 1, 2008

Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Proposed Rule Change Relating to Sales Practice Standards and Supervisory Requirements for Transactions in Deferred Variable Annuities (File No. SR-FINRA-2008-019)

Dear Ms. Morris:

The Investment Company Institute¹ supports the proposed changes to NASD Rule 2821 to modify (1) the scope of the rule to exclude non-recommended transactions and (2) the timing of the principal review requirement to begin after a firm has received a complete and correct copy of the application for a deferred variable annuity.² As we discussed in previous comment letters on Rule 2821,³ these issues have been of concern to our members. We commend FINRA for addressing these concerns in the proposal.

The new suitability and sales practices requirements introduce significant changes to the way in which deferred variable annuities are sold. The Institute has consistently supported FINRA's goal of ensuring that deferred variable annuities are sold only to purchasers for whom they are suitable; ensuring that the breadth of the rule and the mechanics of the rule are appropriately tailored to that

¹ The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$12.9 trillion and serve almost 90 million shareholders.

² See *Notice of Filing of Proposed Rule Change Relating to Sales Practice Standards and Supervisory Requirements for Transactions in Deferred Variable Annuities*, SEC Release No. 34-57920 (June 4, 2008), 73 FR 32771 (June 10, 2008).

³ See Letters from Frances Stadler, Deputy Senior Counsel, Investment Company Institute, to Jonathan G. Katz, Secretary, Securities and Exchange Commission, dated September 19, 2005; Ari Burstein, Associate Counsel, Investment Company Institute, to Nancy M. Morris, Secretary, Securities and Exchange Commission, dated July 19, 2006; and Heather Traeger, Assistant Counsel, Investment Company Institute, to Nancy M. Morris, Secretary, Securities and Exchange Commission, dated January 24, 2008.

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goal has been critical to Institute members. We believe the proposed rule changes move Rule 2821 toward that end.

Exception for Non-Recommended Transactions

The proposal would limit the application of Rule 2821 to recommended transactions. To account for this change, the proposal would require members to implement reasonable measures to detect and correct circumstances when brokers mischaracterize recommended transactions as non-recommended. We believe these changes properly account for the fact that many firms offer platforms that permit investors to make informed investment decisions absent a recommendation and to conduct transactions in a manner that does not involve interaction between the investor and a registered representative. In these cases, the broker does not have sufficient information about the transaction, thereby creating significant difficulties in its ability to conduct a principal review under the current rule. Further, we believe these changes rightfully honor investment decisions made by investors without requiring a broker-dealer to second-guess those decisions.

More Flexible Timing Requirement

The proposal would modify the beginning of the period within which the principal must review and determine whether to approve or reject the application. Under the proposal, the period would begin to run from the date when the firm's office of supervisory jurisdiction receives a complete and correct copy of the application instead of seven business days after the customer signs the application for a deferred variable annuity. We believe this change not only will allow for a more thorough and meaningful principal review but also will provide adequate timing to account for circumstances when principals cannot complete their review in the required timeframe due to circumstances outside their control. For example, a customer may inadvertently omit information from the application; information provided by a customer may need clarification; a customer may sign the application but not mail it for several days; or a customer may mail the application in a manner that delays its receipt (*e.g.*, via regular U.S. mail).

* * * * *

We appreciate the opportunity to comment on the proposal. If you have any questions regarding our comments or need additional information, please contact me at (202) 326-5920 or Ari Burstein at (202) 371-5408.

Sincerely,

/s/ Heather Traeger

Heather Traeger
Assistant Counsel

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cc: Andrew J. Donohue, Director
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